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UNCLAS SECTION 01 OF 02 ABUJA 001367

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DEPARTMENT PASS TO USTR (AGAMA)
DEPT OF ENERGY FOR CAROLYN GAY
DEPT OF COMMERCE FOR 3317/ITA/OA/KBURRESS
DEPT OF LABOR FOR SUDHA HALEY

E.O. 12598: N/A

TAGS: ECON ELAB NI

SUBJECT: NIGERIA: LABOR STRIKE HITS ECONOMY HARD

REF: A. ABUJA 1342

- 1B. ABUJA 1326
- 1C. ABUJA 1319
- 1D. ABUJA 1317
- 1E. ABUJA 1303
- 1F. ABUJA 1302
- 1G. ABUJA 1294
- 1H. ABUJA 1278
- 1I. ABUJA 1155

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11. Summary. The four-day nationwide strike that ended on June 23 impacted the Nigerian economy negatively in diverse ways. Many businesses were completely paralyzed; important government and business operations were suspended; and most commerce via ports was shut down. With fuel unavailable for airplanes, cars, buses and taxis, movement ground to a halt in the country. Entrepreneurs, who normally depend on diesel-powered generators owing to limited electricity supply, were also badly affected. Nigerian economic analysts agree that the nation lost a considerable sum to the strike but estimates vary of the exact amount. End Summary.

12. The Nigerian Labor Congress (NLC) and the Trade Union Congress (TUC) called a nationwide strike that began June 20 to press home various demands of the NLC and TUC (see reftels). In spite of the economic hardship suffered, most Nigerians supported the strike.

• Economic Analysts - The Loss Is Huge

• 13. The Lagos Chamber of Commerce and Industry (LCCI) estimated the nation lost at least 50 billion naira (\$392 million) daily during the strike. LCCI arrived at the figure by dividing last year's GDP of Naira 18 trillion naira (\$141 billion) by 365 days. This view was corroborated by Sam Ohuanbuwa, Chairman of the Nigerian Economic Summit Group (NESG). Some economic analysts suggested the loss could be higher than the LCCI/NESG estimates. Most businesses reported that they would only be able to quantify the loss they suffered when they did their end-of-month accounting on a monthly basis.

• Petroleum Products Unavailable

14. The strike led to a severe scarcity of petroleum products,

especially gasoline and aviation fuel. Tanker drivers went on strike earlier than the general strike and did not transport fuel from depots to retail outlets, while the very few gasoline stations that had fuel experienced queues miles long. Many people waited in line for days in order to purchase fuel. As a result of fuel lines, a black market quickly emerged with a four liter jerry can (1.06 gallons) of gasoline selling for as much as 2,500 naira (\$20) as against 260 (\$2) naira at the former official price of 65 naira (50 cents U.S.) per liter. The city of Lagos, normally a permanent traffic jam, had eerily empty streets.

Aviation Sector Badly Hit

15. The aviation sector was seriously hampered during the strike. Most domestic airlines had to cancel their flights because aviation fuel was scarce and passengers did not turn up at the airports since they could not get fuel to move around. Foreign airlines also had to cancel some flights because aviation fuel was unavailable. Some foreign airlines that continued to operate refueled in Accra, Ghana with the attendant costs of additional parking fees in Accra and fuel. Other airlines flew with full tanks to ensure sufficient fuel for a roundtrip.

16. Domestic and international carriers were also hampered by short staffing. Airline and airport staff were frequently intimidated by striking workers on their way to and from work. One contact said that, to maintain enough staff at the Lagos International Airport to support a daily flight, his airline housed essential employees in the business class lounge for the duration. This, in addition to sourcing fuel in Nigeria at rates more than four times the normal price, contributed significantly to increased operating costs and cut into profits.

Seaports Closed

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17. The seaports were completely shut down during the strike. Importers complained of suffering losses, while ships could not berth, leading to a build up of cargo. The Nigerian Ports Authority had to establish a task force after the strike to clear out the backlog of cargo that had built up during the strike. Some importers complained that the new port concessionaries charged demurrage fees for goods that could not be cleared during the strike. Lucky Amiwero, President of the National Council of Managing Directors of Licensed Customs Agents, told the local press that new port concessionaries were charging 4,000 naira (\$31) daily for each day the strike lasted, contrary to the law that in situations of public holidays or industrial action importers were not to be levied extra charges.

Banks Closed

18. Banks branches were closed throughout the strike. Customers could not withdraw money or make transfers. As a result, businessmen who needed money were unable to get money from the banks. Embassy consular activities were also hampered because most visa applicants could not pay their visa fee at the designated banks. Most banks had senior staff at headquarters buildings who could provide limited services to large customers.

Informal Sector Groans

19. Artisans, small traders, and others in the informal sector were affected, because they earn their income from daily transactions. During the strike they couldn't earn money because many customers remained in their homes. Food vendors that provide lunch for workers lost custom because businesses were closed. GSM recharge card sellers had a drop in sales because most people did not know how long the strike would last, and cut down on unnecessary expenses.

Employers Worse Off

110. The strike resulted in a substantial loss of productive man hours. This was exacerbated by the fuel scarcity that hit the nation just before the nationwide strike. Gasoline was unavailable for people who would have wanted to defy the stay at home call by the unions and go to work. Transport fares rose by over 100% on various routes nationwide, thus discouraging workers from going to work. Employers with unionized employees will have to pay their workers the full monthly salaries irrespective of the strike. Some companies managed to remain open by running skeletal services, but had to buy diesel from the black market because they rely on diesel-powered generators due to erratic electricity supply. Companies that had existing supplies had to cut down on fuel consumption because they did not know how long the strike would last.

Comment

111. The strike impacted both ordinary Nigerians and large businesses with real losses for the Nigerian economy. It highlighted the vulnerability of Nigeria's oil supplies, already affected by insecurity in the Niger Delta that has shut down hundreds of thousands of barrels of crude oil exports per day. That vulnerability is matched in the economy at large as virtually no sector went unaffected. CAMPBELL